State Profile

SUMMER 2003

Idaho

Employment in Idaho increased only 0.9 percent year-over-year as of January 2003 (see Chart 1), primarily because of weakness in the manufacturing and trade sectors.

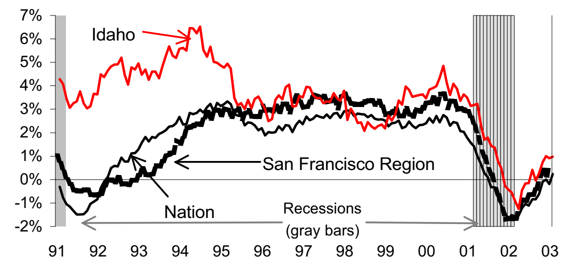
- Manufacturing employment declined 3.7 percent as of the year ending January 2003; this sector experienced the highest rate of job loss during this period, in part as a result of weakness in the computer, semiconductor, and food-processing industries.
- The high-tech sector in Idaho laid off approximately 4,500 workers during the recent recession.[1] More recently, Micron Technology, the third largest employer in Idaho, announced the furlough of 10 percent of its workforce. The effects of these layoffs, as well as pay cuts, may be felt throughout local economies, because high-tech workers earn more than twice the average private-sector wage.
- Food processing plant cutbacks and shutdowns have hurt employment in the southern Magic Valley area.
- Employment in the trade, transportation, and utilities sector decreased by 1.0 percent in the year ending January 2003, in part because of recession-related reductions in retail trade activity.

Drought likely will hurt Idaho farmers and cattle ranchers (see Map 1).

- The drought has severely reduced the supply and quality of pastureland available for grazing cattle; cattle production accounted for 24 percent of farm receipts in Idaho during 2001. In January 2003, $250 million (8 percent of total funds available) in federal drought relief was approved for cattle producers. The relief package may not be adequate to cover 2002 losses and to remedy cattlemen's cash flow problems.
- Drought conditions in some areas may challenge the potato crop, which generated 14 percent of the state's 2001 farm cash receipts. The 2002 farm bill did not include subsidies for potato growers.
- Milk prices fell 13 percent during the year ending March 2003, setting the lowest price in the past five years. Idaho milk production ranked 6th in the nation in 2001, and accounted for 27 percent of the state's farm receipts in 2001.

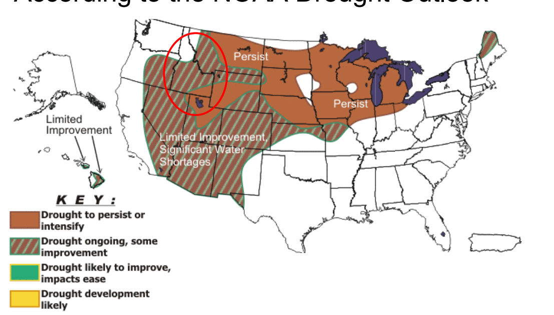
Chart 1: Employment in Idaho Outperformed the Nation During 2002

Non-Ag Employment, Year-Over-Year Change



Note: End of 2001 recession projected to be February 2002; official date not yet determined
Source: Bureau of Labor Statistics

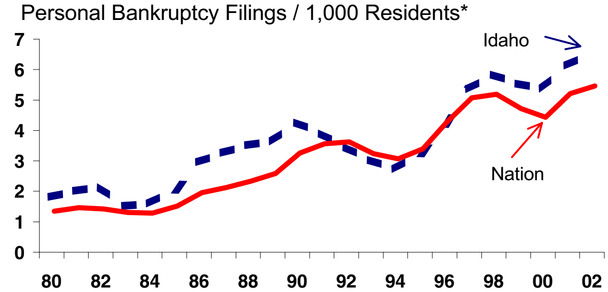
Map 1: Dry Conditions May Persist in Idaho, According to the NOAA Drought Outlook



Source: National Oceanic and Atmospheric Administration; March 20, 2003.
http://www.cpc.ncep.noaa.gov/products/expert_assessment/seasonal_drought.html

Chart 2: Idaho's Personal Bankruptcy Filing Rate Attained Record Levels in 2002

Personal Bankruptcy Filings / 1,000 Residents*



* The population data is for the previous year.
Sources: Administrative Office of U.S. Courts, and Census Bureau

[1] *General Fund Revenue Book*, FY 2004 Executive Budget, Division of Financial Management, State of Idaho, January 2003, p. 15. (http://www2.state.id.us/dfm/genfundbk/GFRB04/GFRfy04FULL.pdf)

- As of fourth quarter 2002, 8 of the 20 insured institutions headquartered in Idaho reported agricultural loans-to-Tier 1 capital ratios of at least 100 percent. However, credit quality has not weakened. In fact, as of December 2002, agricultural lenders[2] based in the state reported a median overall past-due loan ratio of 1.55 percent, down from 2.37 percent one year earlier. However, should drought conditions persist, asset quality could deteriorate.

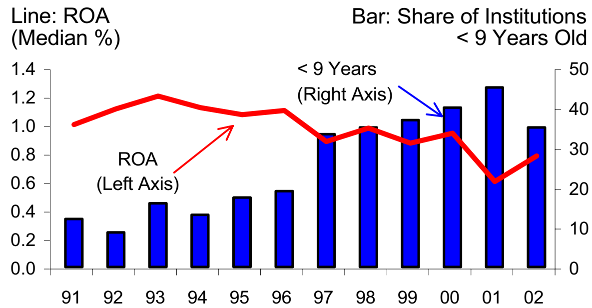
The effects of high bankruptcy and foreclosure rates on Idaho insured institutions have been modest.

- The Idaho personal bankruptcy rate rose 7 percent in 2002; the state filing rate was 21 percent higher than the national average (see Chart 2). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. The average 2002 Idaho foreclosure rate, according to the **Mortgage Bankers Association of America** (MBAA), was estimated at 0.43 percent of all mortgages, exceeding a national rate of 0.36 percent.
- Heightened personal bankruptcy activity had little effect on the median past-due consumer loan ratio among established non-specialty institutions[3] based in Idaho, which decreased from 1.56 to 1.27 percent during 2002. Conversely, the median consumer loan net charge-off ratio rose from 0.48 to 0.57 percent.
- Despite higher foreclosure start estimates, the median single-family mortgage delinquency ratio among established non-specialty institutions declined during 2002 from 1.46 to 0.89 percent, possibly as a result of heavy refinancing activity.

Profits reported in 2002 by insured institutions based in Idaho did improve, but remained weak relative to the nation because of high overhead charges and a significant number of new charters.

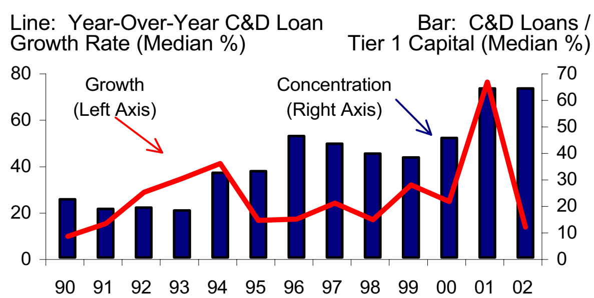
- The 2002 median return on average assets (ROA) ratio among Idaho-based insured institutions was 0.78 percent, up from 0.60 percent a year earlier, but far below the 1.06 percent ROA reported by insured institutions nationwide. A median overhead-to-average asset ratio of 4.71 percent (versus 3.21 percent nationally) contributed to this weak performance, driven mainly by disproportionately large salary expenses and an atypically high number of branches among many insured institutions headquartered in the state.
- The state's large proportion of younger institutions (i.e., in operation less than 9 years) also adversely affected median performance (see Chart 3). Younger institutions, which comprise 35 percent of all Idaho-based insured institutions, reported a median ROA of 0.38 percent, compared to 0.95 percent among more established institutions.

Chart 3: A High Share of Younger Institutions Lowers Idaho's Median ROA Performance



Note: ROA = return on average assets.
Source: Idaho Bank and Thrift Call Reports (December of each year)

Chart 4: C&D Loan Exposures Remain High at Idaho-Based Insured Institutions



Note: C&D = construction and development.
Source: Idaho Bank and Thrift Call Reports (December of each year)

Traditionally higher-risk construction and development (C&D) loan concentrations remain at a high level at Idaho-based insured institutions.

- The median C&D loan-to-Tier 1 capital ratio reported by insured institutions headquartered in Idaho has increased significantly during the past eleven years (see Chart 4).

[2] Agricultural lenders are defined as insured institutions holding agricultural lines and farm loans at least 100 percent of Tier 1 capital.

[3] Established community non-specialty institutions are defined as insured institutions open longer than three years with total assets of less than $1 billion, average loans greater than 25 percent of average assets, unused credit card commitments less than total assets, consumer loans less than 300 percent of Tier 1 capital, and excludes industrial loan companies.

Idaho at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	20	20	20	19	20
Total Assets (in thousands)	4,214,140	3,648,114	3,097,451	2,618,539	2,342,433
New Institutions (# < 3 years)	2	2	1	4	5
New Institutions (# < 9 years)	7	9	8	7	7

Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	8.30	8.65	9.14	9.70	9.36

Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	0.92%	1.68%	1.37%	1.61%	1.15%
Past-Due and Nonaccrual > = 5%	1	0	0	1	0
ALLL/Total Loans (median %)	1.46%	1.30%	1.31%	1.30%	1.39%
ALLL/Noncurrent Loans (median multiple)	4.03	2.22	3.43	3.52	2.88
Net Loan Losses/Loans (aggregate)	0.22%	0.30%	0.23%	0.15%	0.11%

Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	2	3	3	1	3
Percent Unprofitable	10.00%	15.00%	15.00%	5.26%	15.00%
Return on Assets (median %)	0.78	0.60	0.94	0.87	0.98
25th Percentile	0.51	0.36	0.36	0.52	0.72
Net Interest Margin (median %)	4.75%	4.58%	5.17%	5.14%	5.12%
Yield on Earning Assets (median)	6.71%	8.16%	9.17%	8.45%	8.55%
Cost of Funding Earning Assets (median)	2.18%	3.59%	3.99%	3.39%	3.69%
Provisions to Avg. Assets (median)	0.35%	0.32%	0.37%	0.26%	0.23%
Noninterest Income to Avg. Assets (median)	1.27%	1.02%	0.97%	1.03%	1.01%
Overhead to Avg. Assets (median)	4.31%	4.28%	4.10%	4.33%	4.19%

Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	83.69%	82.96%	83.49%	81.62%	75.83%
Loans to Assets (median %)	71.37%	71.58%	69.86%	69.63%	65.83%
Brokered Deposits (# of Institutions)	4	4	4	3	0
Bro. Deps./Assets (median for above inst.)	4.90%	6.61%	3.64%	5.71%	na
Noncore Funding to Assets (median)	18.17%	20.08%	21.20%	20.16%	14.68%
Core Funding to Assets (median)	67.97%	68.26%	68.57%	67.97%	73.80%

Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	14	14	15	14	14
National	1	1	1	1	1
State Member	2	2	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	1	1	2
Mutually Insured	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	15	3,212,166	75.00%	76.22%
Boise City ID	4	925,924	20.00%	21.97%
Pocatello ID	1	76,050	5.00%	1.80%